

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING POLICY

TOPIC: Federal Funds 2.0	EFFECTIVE DATE: 4/1/83
TITLE: Administration of Joint Funded Programs and Excess Federal Revenue	REVISION DATE: 10/31/92
AUTHORIZED BY: Donald N. Warnke, Director	PAGE 1 OF 5

BACKGROUND

During budget preparation, the best information available is used to estimate the level of non-GPR funds (federal funds and specified PRO funds) that will be realized. In many instances, the amount of GPR funding appropriated for a program is based on that estimated level of non-GPR funding. Questions about the proper level of GPR funding arise when the non-GPR funds realized differ from the estimated levels in the budget.

Generally, the policy of DHSS is to maximize non-GPR funding available while at the same time saving state GPR. The goal is combined with the need for appropriate legislative oversight of program level changes and unanticipated material variances in federal funds.

While a single policy may not cover all circumstances, a general policy is needed so that subsequent case-by-case decisions can be made.

Details on the funds described below and policy background are found in the attachment.

DEFINITIONS

Discretionary. Funds that are available within the legal bounds allowed for its use within the original purpose. These are usually federal grant or community aids monies for which it is not practical to fully commit or expend on a routine basis but have flexibility to allow use for similar purposes. These funds are usually identified by divisions and earmarked in community aids statutes.

Excess Federal Reimbursement. Revenues derived from expenses which are federally reimbursed, but were originally charged to another source (usually GPR). Federal reimbursement is typically for prior year state GPR costs. The use of these funds is contingent upon notification to the Department of Administration and the Joint Committee on Finance. These are usually identified by the Bureau of Fiscal Services.

POLICY

1. The following rules apply for appropriations where GPR funds have been appropriated as either a match for, supplement to, or a budgeted state share to non-GPR funds.
 - a. If non-GPR funds actually realized are less than the original estimate, all appropriated GPR funds may be used to meet the program needs, even if this means a greater proportion of GPR funding is used than originally assumed (except if a statute specifies a maximum match ratio). All underspending for the program would be considered GPR, and as such, would lapse to the general fund unless legally carried over by statute.
 - b. If non-GPR funds (usually federal) actually realized are greater than the original estimate, total commitments should be limited to the original combined level of GPR/non-GPR authorized. If a GPR matching ratio is required by the non-GPR funding source, GPR would be utilized at this ratio during the fiscal period. Only after the non-GPR funds are exhausted would GPR be used to bring the total spending up to the total authorized. GPR in an amount equal to the non-GPR increase would lapse to the general fund or be reported to DOA and the Joint Committee on Finance (JFC) as excess federal revenue before commitment or use. In addition, program underspending would lapse as GPR to the general fund on the basis of last in/first out.
2. If non-GPR actually realized over the budgeted level is received after the close of the state FY and GPR has already been spent, the amount realized is lapsed or reported as excess federal revenue to DOA and JFC.
3. If non-GPR funds actually realized are "materially" less than estimated, such that the department will, of necessity, substantially alter the service level of the program, communication to that effect may be directed to the Office of Policy and Budget (OPB) and DOA.
4. If there is non-GPR (excess federal revenue) to be reported to DOA and JFC and not lapsed, under current policies, it is general policy to be retained for federal disallowances, not used for operating costs.
5. Any notification disclosing excess federal revenue to Department of Administration and Joint Committee on Finance will be prepared by Division of Management Services, Bureau of Fiscal Services.

REFERENCES

Wisconsin Statutes, ss. 16.52 (2)
DOA External Accounting Manual

ATTACHMENT

Excess Federal Reimbursement

CONTACT PERSONS

Donald N. Warnke, Director
(608) 266-5869

Sally A. Acuff, Chief
Special Services Section
(608) 266-9576

EXCESS FEDERAL REIMBURSEMENT

DEFINITION

Unanticipated federal reimbursement for past GPR Costs. May include audit settlements, unbudgeted federal cash brought in by DHSS which is over and above biennial budget amounts. The reimbursements usually cross the state fiscal year and federal fiscal year, and the uses are contingent upon notification to DOA and JFC.

STATUTORY, AUDIT AND POLICY BACKGROUND

- I. State Accounting. Excess Federal Reimbursement is governed by s. 16.52 (2).

"Except in the case of program revenue and continuing appropriations, any refund of a disbursement to a general purpose revenue appropriation, applicable to any prior fiscal year, received between these dates may not be credited to any appropriation but shall be considered as a non-appropriated receipt. General purpose revenue (GPR) earned, as defined in s. 20.001 (4) is not available for expenditure, whether or not applied to the fiscal year in which received."

The state accounting directions and the appropriation reconciliation require that non-appropriated receipts lapse to the general fund.

- II. Accounting Guidelines. Two references are pertinent:

- A. **Disclosure**. "The overall goal of accounting and financial reporting for governmental units is to provide: (1) financial information useful for making economic, political and social decisions, and demonstrating accountability and stewardship; and (2) information useful for evaluating managerial and organizational performance For accounting the use and disposition of resources entrusted to public officials." ("Objectives of Accounting and Financial Reporting for Governmental Units," National Council on Governmental Accounting.)
- B. **Governmental Generally Accepted Accounting Principles (GAAP)** do not deal specifically with how revenue such as excess federal reimbursement should be recorded. However, Principle I of Governmental GAAP does state that the "accounting system must make it possible to both: (a) present fairly and with full disclosure . . . and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions." Since we have a specific statute that deals with this type of revenue, GAAP requires that we comply with it.

GAAP does state that revenue should be recorded when it is measurable and available. It does not say how it is recorded (i.e. as an unappropriated receipt, refund of expense or program revenue). Therefore, the state statute is our only guide of the

specific coding of the revenue, while GAAP tells us when it must be recorded (i.e. year received).

- III. Audit Finding. In 1982, the Legislative Audit Bureau (LAB) audited Community Aids which had a major federal financing component. The Department was audited because federal funds replaced appropriated GPR but were not reported or lapsed.

The LAB report stated: "Federal reimbursements should be used to reimburse state expenditures and not to establish Department-controlled surpluses within federal appropriations. We recommend that the Legislature take steps to address the issues surrounding discretionary funds. At a minimum, we suggest that discretionary funds be fully identified and reviewed during the 1983-85 biennial budget process. We further suggest that consideration be given to the possibility of including specific legislation in the budget, or provisions in Department of Administration rules, to define the limited circumstances, if any, under which state agencies may create discretionary funds. While some discretion may be needed, for example, to handle unexpected variations in federal funding levels. we believe major program and funding decisions must be made or reviewed by the Legislature."

- IV. Department Policy. In response to LAB and the basic concerns internally and externally for increased accountability for public funds, the following policies were stated and sent to Joint Committee on Finance in March 1983 by the Department Secretary:

"When plans for expending budgeted federal funds differ materially from plans reviewed by the Legislature in the biennial budget, the Department will offer an opportunity for appropriate Legislative review. In most instances, an advisory notice to the Joint Committee on Finance, or a request for Joint Finance approval, is the mechanism that will be used.

"The Department should claim additional federal funds for approved program purposes when there is a reasonable basis, not necessarily a certainty, of making the claim. Efforts should be made to maximize funds, if possible, beyond those anticipated in the budget, as availability of funds becomes known.

"When Federal funds can be successfully claimed which were not included in the biennial budget and the funds are either reimbursement for past GPR expenditures, changes in federal matching ratios, or payment for expenses which would otherwise be billed to GPR budgeted for that purpose, the results will be to lapse the monies to the general fund."